

House File 2409 - Introduced

HOUSE FILE 2409
BY COMMITTEE ON COMMERCE

(SUCCESSOR TO HSB 674)

A BILL FOR

- 1 An Act eliminating specified mortgage loan disclosure statement
- 2 filing requirements applicable to financial institutions.
- 3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 535A.1, Code 2009, is amended to read as
2 follows:

3 **535A.1 Definitions.**

4 For purposes of this chapter, unless the context otherwise
5 requires:

6 1. "*Financial institution*" means any bank, credit union,
7 insurance company, mortgage banking company or savings and loan
8 association, industrial loan company, or like institution or
9 any other person who makes mortgage loans and which operates or
10 has a place of business in this state. "*Financial institution*"
11 does not include an individual who makes less than five
12 mortgage loans a year.

13 2. "*Mortgage loan*" means a loan for the purchase,
14 construction, improvement, or rehabilitation of residential
15 property containing or to contain four or fewer family dwelling
16 units in which the property is used as security for the loan.

17 ~~3. "*Mortgage loan disclosure statement*" means the statement~~
18 ~~required by the federal Home Mortgage Disclosure Act, 12 U.S.C.~~
19 ~~§ 2801 to 2809.~~

20 ~~4.~~ 3. "*Red-lining*" means the practice by which a financial
21 institution may designate certain areas as unsuitable for the
22 making of mortgage loans and reject applications for mortgage
23 loans or vary the terms of a mortgage loan upon property within
24 that area because of the prevailing income, racial, or ethnic
25 characteristics of the area, or because of the age of the
26 structures in the area.

27 ~~5. "*Reporting financial institution*" means a financial~~
28 ~~institution which is required to file a mortgage loan~~
29 ~~disclosure statement.~~

30 ~~6.~~ 4. "*Vary the terms of a mortgage loan*" includes, but is
31 not limited to the following:

32 a. Requiring a greater than average down payment than is
33 usual for the particular type of mortgage loan involved.

34 b. Requiring a shorter period of amortization than is usual
35 for the particular type of mortgage loan involved.

1 *c.* Charging a higher interest rate or higher loan
2 origination fees than is usual for the particular type of
3 mortgage loan involved.

4 *d.* An unreasonable underappraisal of real estate or item of
5 property offered as security.

6 Sec. 2. Section 535A.2, Code 2009, is amended to read as
7 follows:

8 **535A.2 Discriminatory — real estate mortgages.**

9 1. It is a discriminatory practice for any financial
10 institution accepting mortgage loan applications to engage in
11 the practice of red-lining as defined in section 535A.1.

12 2. This section shall be administered and enforced by the
13 following agencies:

14 a. The superintendent of banking or the superintendent's
15 designee in regard to banks, persons licensed under chapter
16 536A, and mortgage banking companies.

17 b. The superintendent of savings and loan associations or
18 the superintendent's designee in regard to savings and loan
19 associations pursuant to chapter 534.

20 c. The commissioner of insurance or the commissioner's
21 designee pursuant to chapter 505 in regard to all insurance
22 companies.

23 d. The superintendent of credit unions or the
24 superintendent's designee in regard to all credit unions.

25 Sec. 3. Section 535A.6, Code 2009, is amended to read as
26 follows:

27 **535A.6 Action for damages.**

28 1. Any person who has been aggrieved as a result of a
29 violation of sections 535A.1 to 535A.9 may bring an action
30 in the district court of the county in which the violation
31 occurred or in the county where the financial institution
32 involved is located.

33 2. Upon a finding that a financial institution has committed
34 a violation of either section 535A.2, ~~535A.4~~, or 535A.9 the
35 court may award actual damages, court costs, and attorney fees.

1 Sec. 4. Section 535A.7, Code 2009, is amended to read as
2 follows:

3 **535A.7 Criminal penalty.**

4 Any person who knowingly engages in a practice which
5 violates the provisions of section 535A.2, ~~535A.4~~ or 535A.9 is
6 guilty of a serious misdemeanor.

7 Sec. 5. REPEAL. Sections 535A.4 and 535A.5, Code 2009, are
8 repealed.

9 EXPLANATION

10 This bill repeals a provision in Code chapter 535A, relating
11 to prohibiting the practice of red-lining in mortgage lending,
12 which requires a reporting financial institution to file a copy
13 of its federally required mortgage loan disclosure statement
14 with the Iowa finance authority by March 31 following the
15 calendar year covered by the statement.

16 The bill makes conforming changes as necessary to other
17 sections of the Code chapter, and repeals Code section 535A.5,
18 relating to responsibility for administration of specified Code
19 sections, and reinserts it in a modified form in Code section
20 535A.2 to which it remains applicable.

21 The bill also deletes definitions of reporting financial
22 institution and mortgage loan disclosure statement currently
23 contained in the Code chapter.